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Business Credit Corporation

2003 ANNUAL REPORT

Northwest Territories
Business Credit Corporation

The Business Credit Corporation is a crown corporation responsible for encouraging business development and growth throughout the NWT.

Northwest Territories
Resources, Wildlife & Economic Development

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I. MESSAGE FROM THE CHAIRPERSON - 2003

THE HONOURABLE JIM ANTOINE
MINISTER
RESOURCES, WILDLIFE AND ECONOMIC DEVELOPMENT

I have pleasure in presenting the Annual Report of the Northwest Territories Business Credit Corporation (BCC) for the fiscal year ending March 31, 2003.

I am pleased to advise that the financial results for the fiscal year 2001/2002 showed an increase of 21% in the amount of credit facilities authorized, compared with the previous year. This year a total of 62 credit facilities were authorized for a total of $11.9 million, compared with 63 credit facilities for a total of $9.9 million the year before.

As in previous years, most of the increase in credit facilities was in the smaller communities and authorizations in level 3 communities increased by over 50% in number and volume over 2002. Authorizations in level 2 and 3 communities combined formed 26% of the total activity during the year, both in numbers and volume of credit facilities. These results show that there is an increasing demand for BCC services in the smaller communities, where conventional lending services are not available. Activity in level 1 communities increased mainly in the value of applications, this is reflected in the average size of BCC credit facilities increasing from $157,000 to $192,000.

During the year BCC participated in the steady move towards creation of the new lending agency, being increasingly involved in development of the required legislation. BCC also continues to work with Community Futures organizations to foster good business relationships and expand service to the communities.

I wish to thank the Board of Directors, the BCC CEO and staff and the Deputy Minister and staff of the Department of Resources, Wildlife and Economic Development, for their support and assistance throughout the year.

Kimberly Staples
Chairperson

II. BOARD OF DIRECTORS

Name	Designation	Community
Ms. Kimberly Staples	Chairperson	Yellowknife
Mr. Darrell Beaulieu *	Vice-Chairperson	Yellowknife (Ndilo)
Ms. Alison de Pelham	Director	Fort Simpson
Mr. Michael Maher *	Director	Hay River
Mr. Eddie Dillon	Director	Tuktoyaktuk
Mr. Jackson Lafferty *	Director	Rae-Edzo
Stephen Cuthber t*	Director	Fort Resolution
Ms. Judi Tutcho	Director	Norman Wells

*** Directors representing Community Futures Development Corporations (CFDCs)**

III. OBJECTIVE

The objective of the BCC is to stimulate economic development and employment in the Northwest Territories, by making loans to business enterprises, guaranteeing loans made by financial institutions to businesses and by providing bonds to resident business enterprises. It is responsible for making business loans to northern businesses where conventional lending institutions are not prepared to participate. Its role, therefore, is a blend of being a last resort lender and a developmental agency to provide financial support for higher risk entrepreneurial ventures.

IV. HISTORICAL HIGHLIGHTS

1970 The Small Business Loan Fund was created by Indian and Northern Affairs Canada, to provide financing to those businesses and individuals unable to obtain reasonable commercial debt financing from conventional lenders.

1977 The Small Business Loan Fund was transferred to the Government of the Northwest Territories. The scope of the fund was expanded to allow the provision of loan guarantees and loan and guarantee limits were increased to $500,000 from $50,000.

1982 The Business Loan and Guarantees Fund was opened to all qualifying territorial businesses and the word small was removed from the fund's title. Previously businesses whose gross revenues exceeded $1 million were ineligible.

1985 The Fund provided contract security to businesses unable to obtain the bonding required to participate in NWT Housing Corporation construction projects.

1986 The Fund's capitalization was increased to $16 million.

1989 The Fund's capitalization was increased to $20 million.

1991 The *BCC Act* was proclaimed and the Corporation commenced operations. Loan and guarantee limits were raised to $1 million.

1992 The assets of the Business Loans and Guarantees Fund were transferred to the Northwest Territories Business Credit Corporation (BCC).

IV. HISTORICAL HIGHLIGHTS (continued)

1993 The BCC is included in a review of Department of Economic Development & Tourism in connection with reorganization of the Department and the BCC.

1994 In accordance with the suggestions incorporated in this review, BCC staff is increased to provide a greater degree of independence and increased service to clients.

Lending authority, to a maximum of $200,000, is delegated to Regional Superintendents of Department of Economic Development & Tourism. This is designed to provide quicker turn-around time for the majority of BCC loan applications.

Operational Procedures are formulated by BCC, in consultation with the Department of Economic Development & Tourism, to provide guidance and support to Regional Superintendents and ensure conformity with prudent lending practices, at the same time acting in accordance with Ministerial Directives and the objectives of the BCC.

1995 The BCC's fund limit is increased to $23 million. This limit can be extended as far as $50 million under the existing legislation, upon approval of the Financial Management Board.

1996 BCC's Fund limit is increased to $28 million.

HISTORICAL HIGHLIGHTS (continued)

1997 BCC reports to the Minister of the newly amalgamated Department of Resources, Wildlife and Economic Development (RWED).

Sahtu Regional Office established. Credit facilities to businesses in this area were transferred to Sahtu from the Inuvik Region, who formerly administered this area.

Access to Capital - a review of lending for small business in the North, is commissioned by RWED. This report considers the BCC and local Community Futures organizations to see how they can work together to provide the best service to the public.

1998 BCC's Fund limit is increased to $33 million.

1999 BCC's Fund limit is increased to $38 million.
New Directors, representing Community Futures Organizations, are appointed to the Board on March 31st, 1999.

2000 Loan balances totalling $7.457 million are transferred to the newly created Nunavut BCC.

BCC administers Nunavut's loan portfolio under a one year service agreement up to March 31, 2000.

2001 Business Program Review Committee undertakes Community consultations regarding the nature and scope of streamlining financial programs in the NWT.

2002 The BCC Act is amended increasing to $2 million the limit for loans, bonds, guaranteed loans or indemnified bonds to one business enterprise and any related business enterprise.

V. LENDING PARAMETERS

a) Maximum liability for any one business or group of related businesses - $2 million;

b) Maximum amount for any one business loan, bond, guarantee or indemnity - $2 million;

c) Maximum loan term – 5 year

d) Maximum loan amortization - 25 years;

e) Interest rates of:
   1. Two percent p.a. (2%) over commercial bank's prime lending rate, for low to medium risk loans.
   2. Three percent p.a. (3%) over commercial bank's prime lending rate for high-risk loans.

VI. COMMUNITY LEVELS

LEVEL 1 COMMUNITIES - Yellowknife, Hay River, Fort Smith, and Inuvik.

LEVEL 2 COMMUNITIES – Fort Simpson, Norman Wells, and Rae-Edzo.

LEVEL 3 COMMUNITIES – All other communities not listed above.

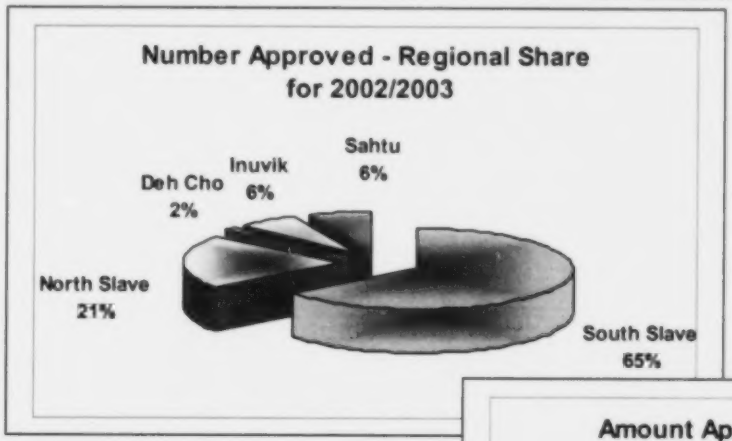
VII. CREDIT FACILITY PERFORMANCE AND APPROVAL LEVELS

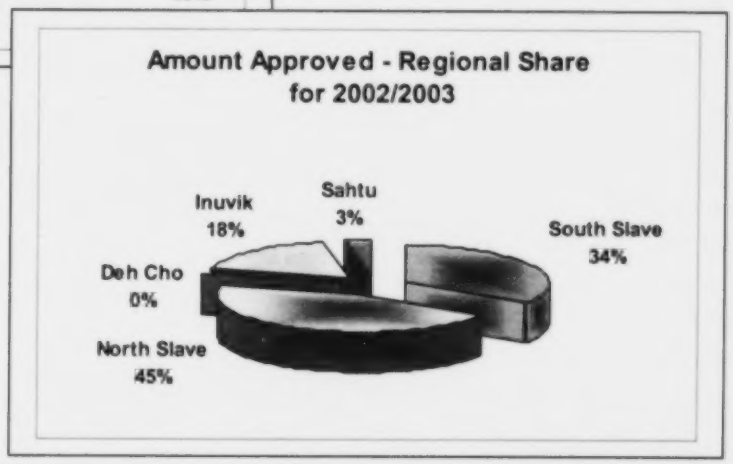
REGION	2003 FISCAL YEAR END VALUES Estimated Target ($ 000's)	Actual Approved ($ 000's)
1. South Slave		
Loan to CFDC's	$0	$0
Loans to other business enterprises	$4,500	$4,077
Contract Security Facility	$100	$0
Sub Total	*$4,600*	*$4,077*
2. North Slave		
Loan to CFDC's - Akaitcho	$0	$0
- Dogrib	$0	$0
Loans to other business enterprises	$7,750	$5,337
Contract Security Facility	$0	$0
Sub Total	*$7,750*	*$5,337*
3. Deh Cho		
Loan to CFDC's	$0	$0
Loans to other business enterprises	$500	$50
Contract Security Facility	$0	$0
Sub Total	*$ 500*	*$ 50*
4. Inuvik		
Loan to CFDC's	$0	$0
Loans to other business enterprises	$2,980	$2,090
Contract Security Facility	$750	$0
Sub Total	*$3,730*	*$2,090*
5. Sahtu		
Loan to CFDC's	$0	$0
Loans to other business enterprises	$1,200	$380
Contract Security Facility	$0	$0
Sub Total	*$1,200*	*$ 380*
TERRITORIAL TOTAL	**$17,780**	**$11,934**

VIII. ANNUAL STATISTICS

REGIONAL SUMMARY OF APPROVED CREDIT FACILITIES BY AUTHORITY LEVEL

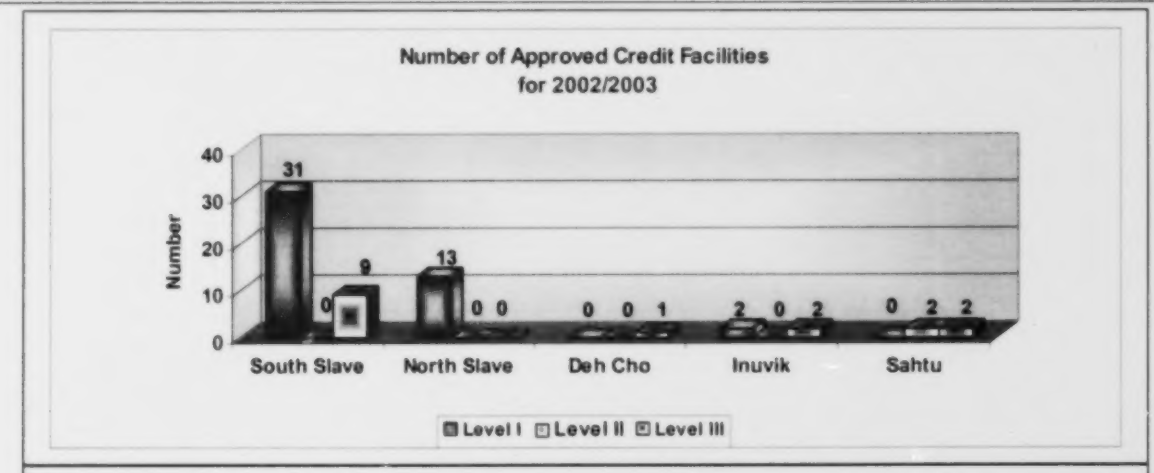
Region	Regional Authority		Board/Minister Authority			
	Number	Amount ($)	Number	Amount ($)	Total Number	Total ($)
South Slave	37	2,525	3	1,552	40	4,077
North Slave	5	450	8	4,887	13	5,337
Deh Cho	1	50	0	0	1	50
Inuvik	2	245	2	1,845	4	2,090
Sahtu	3	105	1	275	4	380
Total	48	3,375	14	8,559	62	11,934

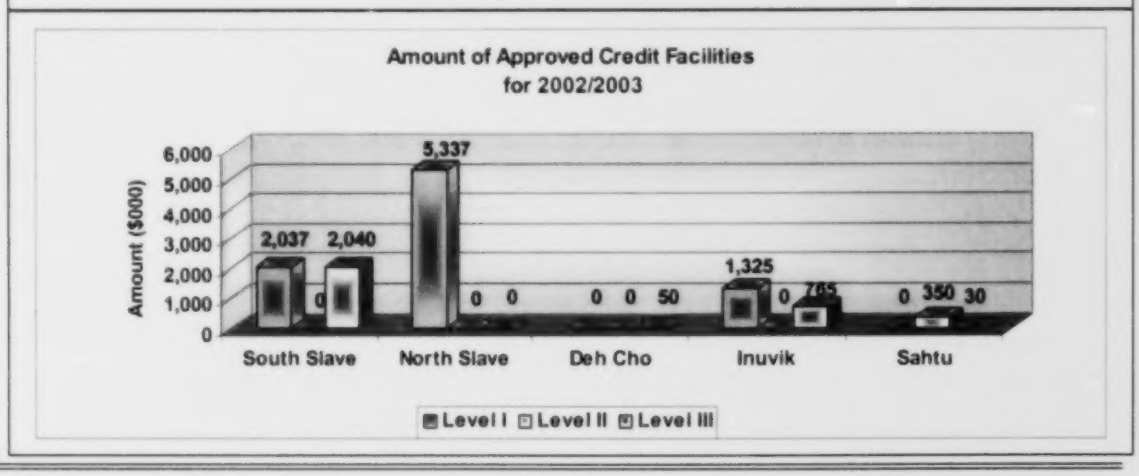




REGIONAL SUMMARY OF APPROVED CREDIT FACILITIES BY COMMUNITY LEVEL

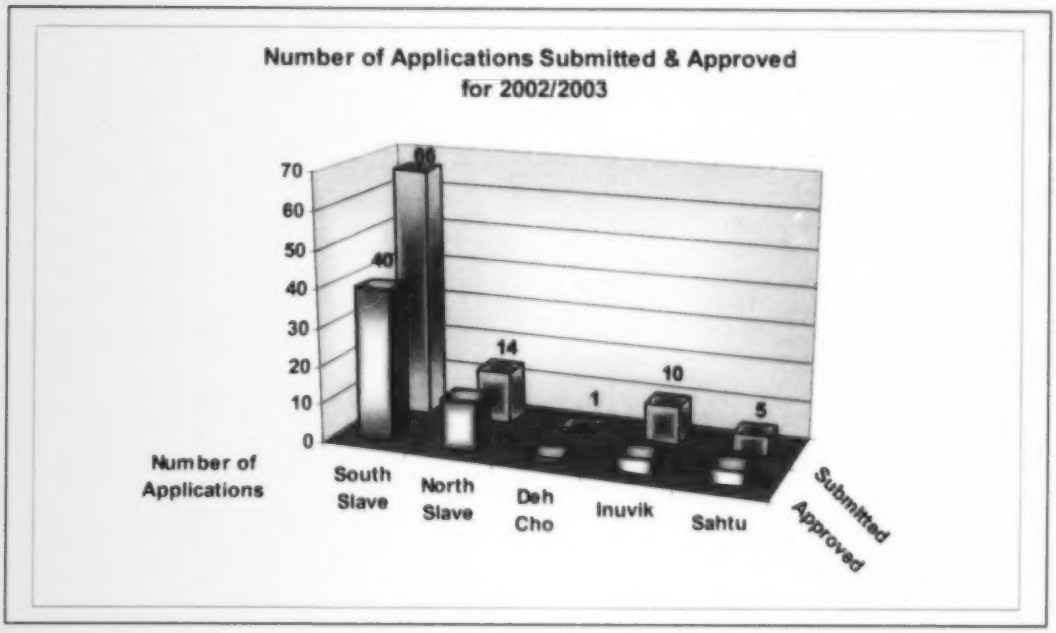
Region	LEVEL I		LEVEL II		LEVEL III		TOTAL	
	Number	Amount ($)	Number	Amount ($)	Number	Amount ($)	Number	Amount ($)
South Slave	31	2,037	0	0	9	2,040	40	4,077
North Slave	13	5,337	0	0	0	0	13	5,337
Deh Cho	0	0	0	0	1	50	1	50
Inuvik	2	1,325	0	0	2	765	4	2,090
Sahtu	0	0	2	350	2	30	4	380
Total	46	8,699	2	350	14	2,885	62	11,934





NUMBER OF APPLICATIONS SUBMITTED & APPROVED BY REGION

Region	2002 Submitted	2002 Approved	2003 Submitted	2003 Approved
South Slave	39	31	66	40
North Slave	18	13	14	13
Deh Cho	11	11	1	1
Inuvik	5	5	10	4
Sahtu	4	3	5	4
Total	**77**	**63**	**96**	**62**



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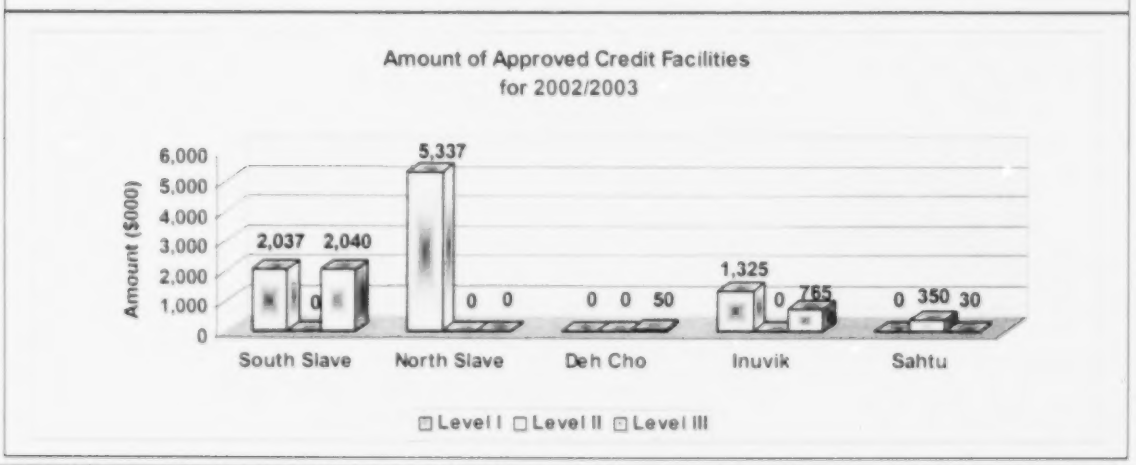

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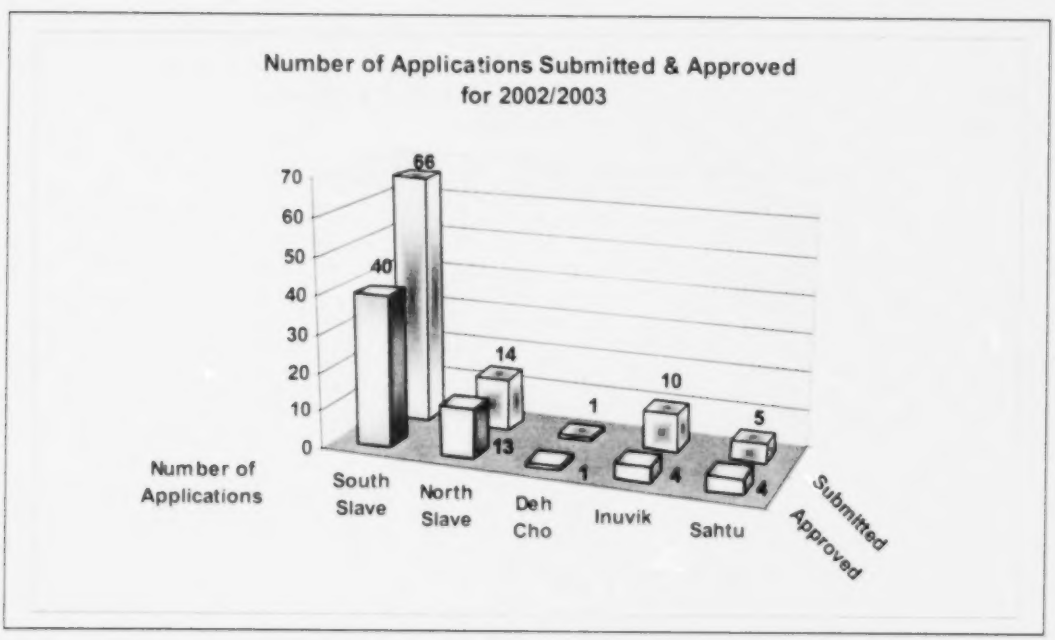
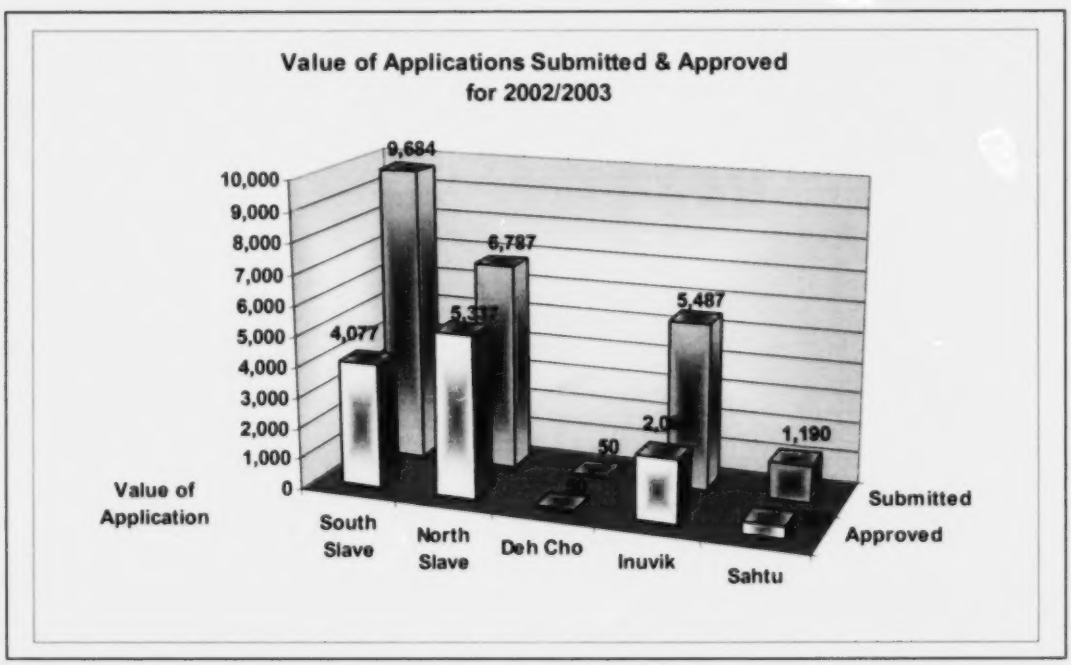


VALUE OF APPLICATIONS SUBMITTED & APPROVED BY REGION ($000)

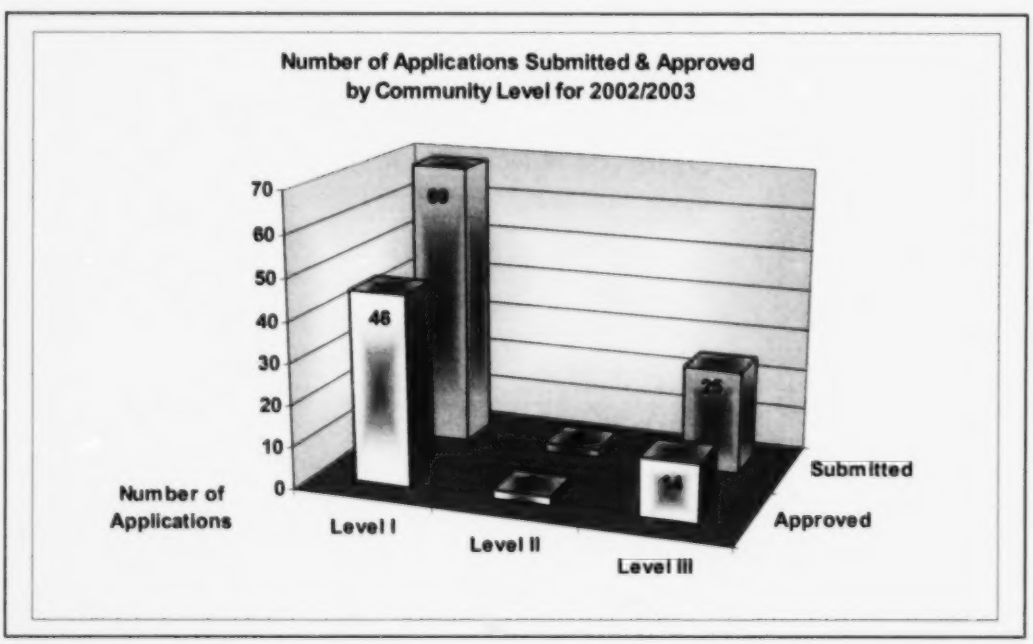
Region	2002 Submitted	2002 Approved	2003 Submitted	2003 Approved
South Slave	2,856	2,258	9,684	4,077
North Slave	5,488	4,510	6,787	5,337
Deh Cho	1,301	1,318	50	50
Inuvik	1,258	1,258	5,487	2,090
Sahtu	721	560	1,190	380
Total	**11,624**	**9,904**	**23,198**	**11,934**



NUMBER OF APPLICATIONS SUBMITTED & APPROVED BY COMMUNITY LEVEL

	Submitted 2002	Approved 2002	Submitted 2003	Approved 2003
Level I	54	41	69	46
Level II	13	13	2	2
Level III	10	9	25	14
Total	**77**	**63**	**96**	**62**

Community Levels
Level I - Yellowknife, Hay River, Fort Smith, Inuvik
Level II – Rae-Edzo, Fort Simpson, Norman Wells
Level III – All other communities not listed above



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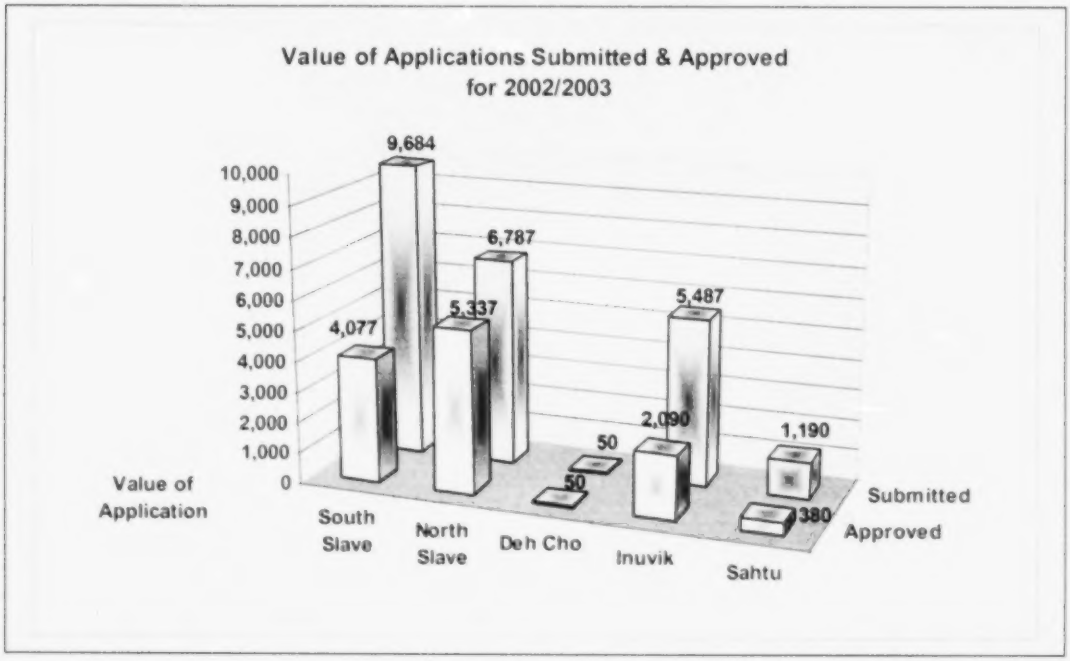

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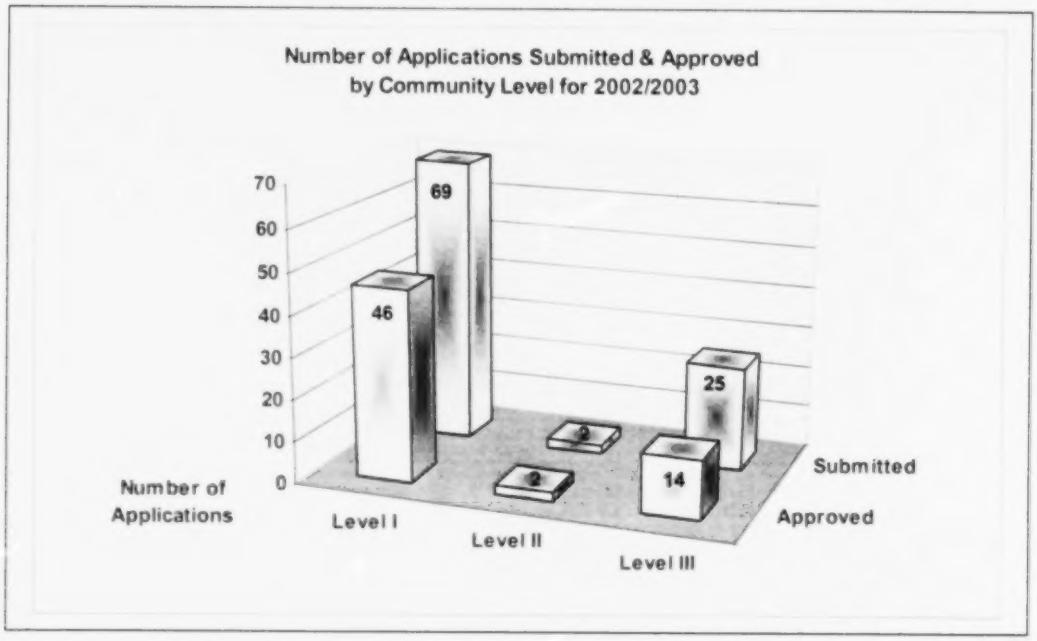

VALUE OF APPLICATIONS SUBMITTED & APPROVED BY COMMUNITY LEVEL ($000's)

	Submitted 2002	Approved 2002	Submitted 2003	Approved 2003
Level I	7,750	6,174	15,392	8,699
Level II	1,847	1,856	1,175	350
Level III	2,027	1,874	6,631	2,885
Total	**11,624**	**9,904**	**23,198**	**11,934**

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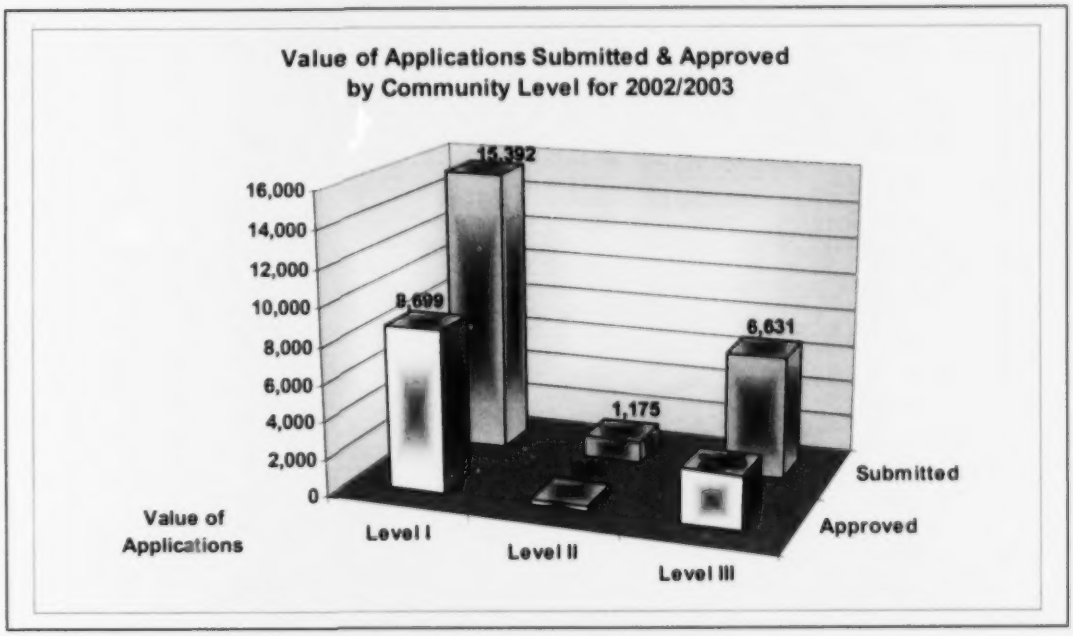
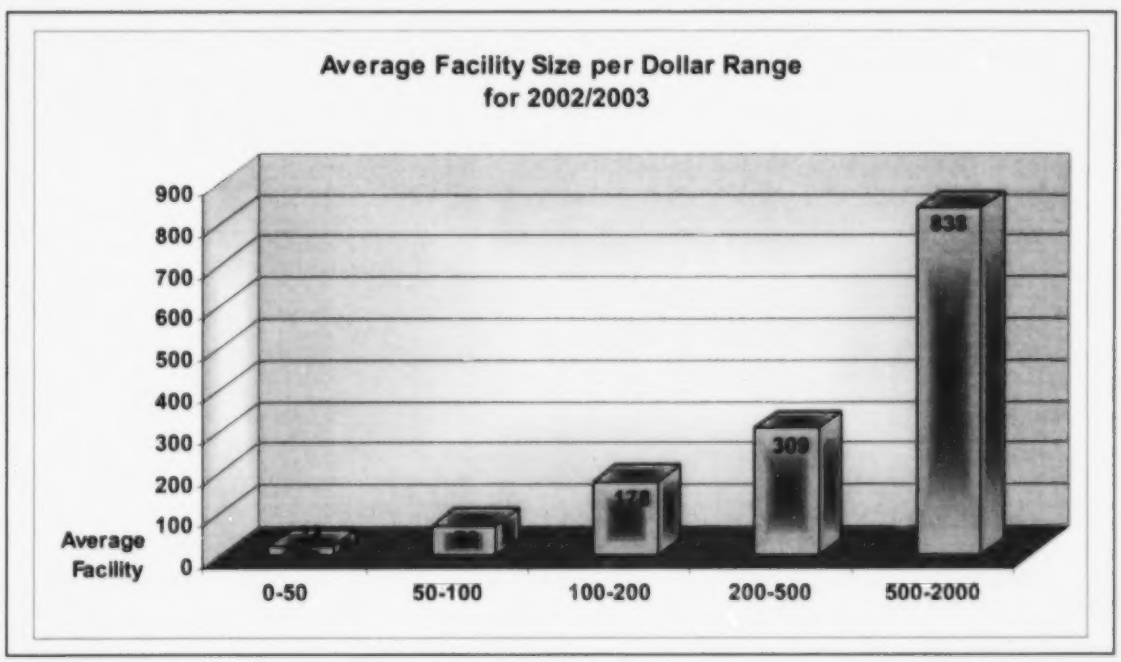


RANGE OF TOTAL CREDIT FACILITIES APPROVED ($000'S)

Dollar Range	No.	Amount	Avg. Facility 2002/2003	Avg. Facility 2001/2002
0-50	28	650	23	19
50-100	8	584	73	76
100-200	12	2141	178	175
200-500	6	1852	309	358
500-2000	8	6707	838	1,063
Total	**62**	**11,934**	**192**	**157**



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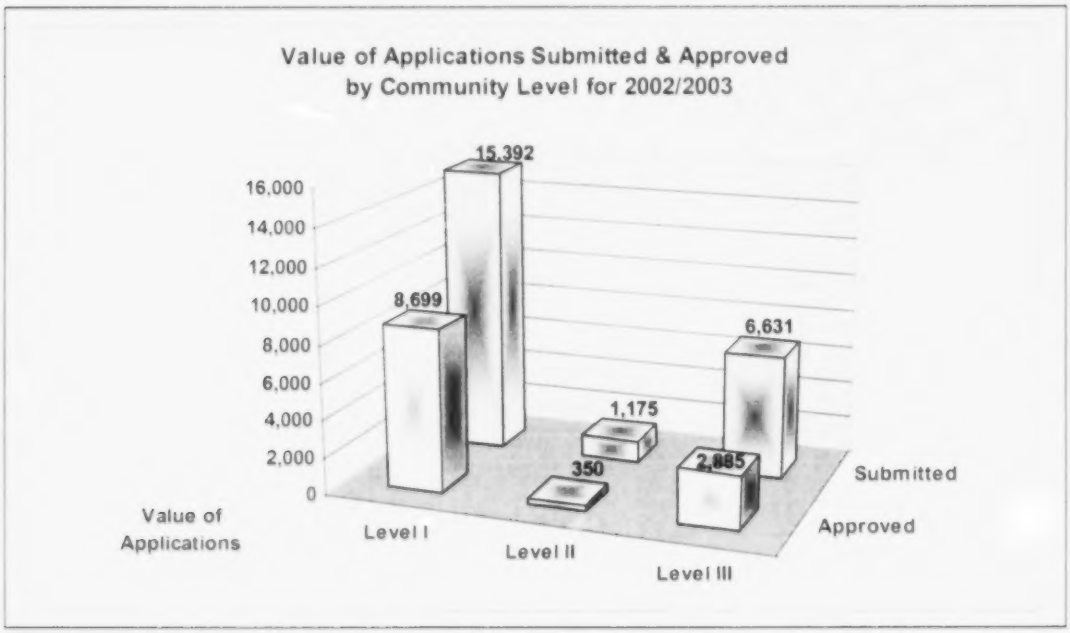

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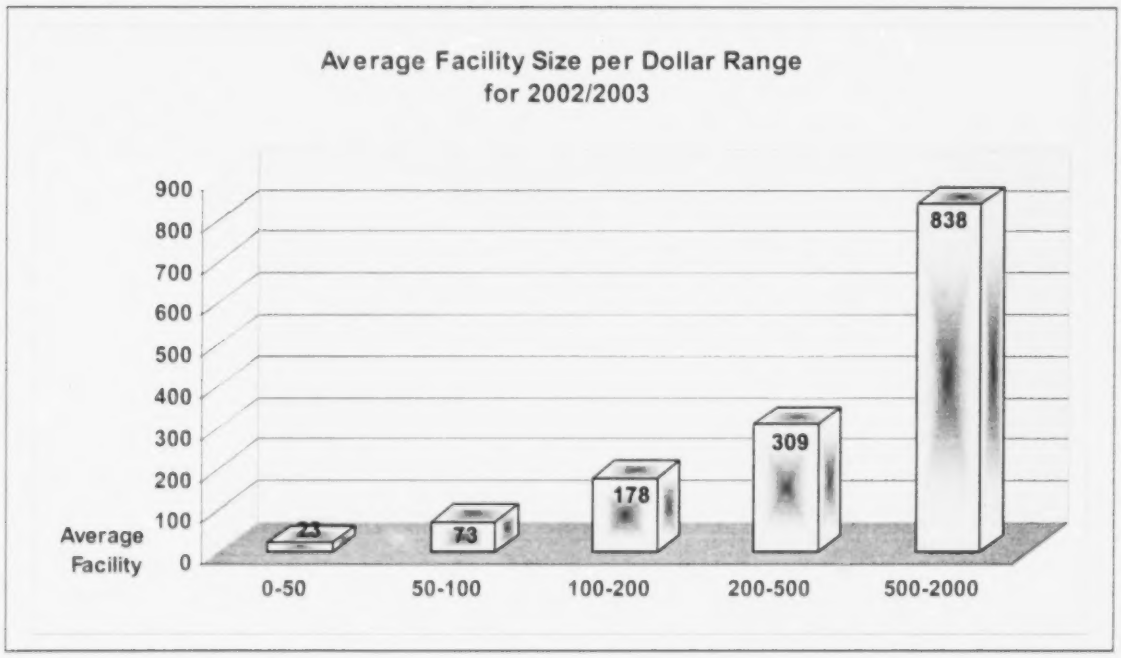
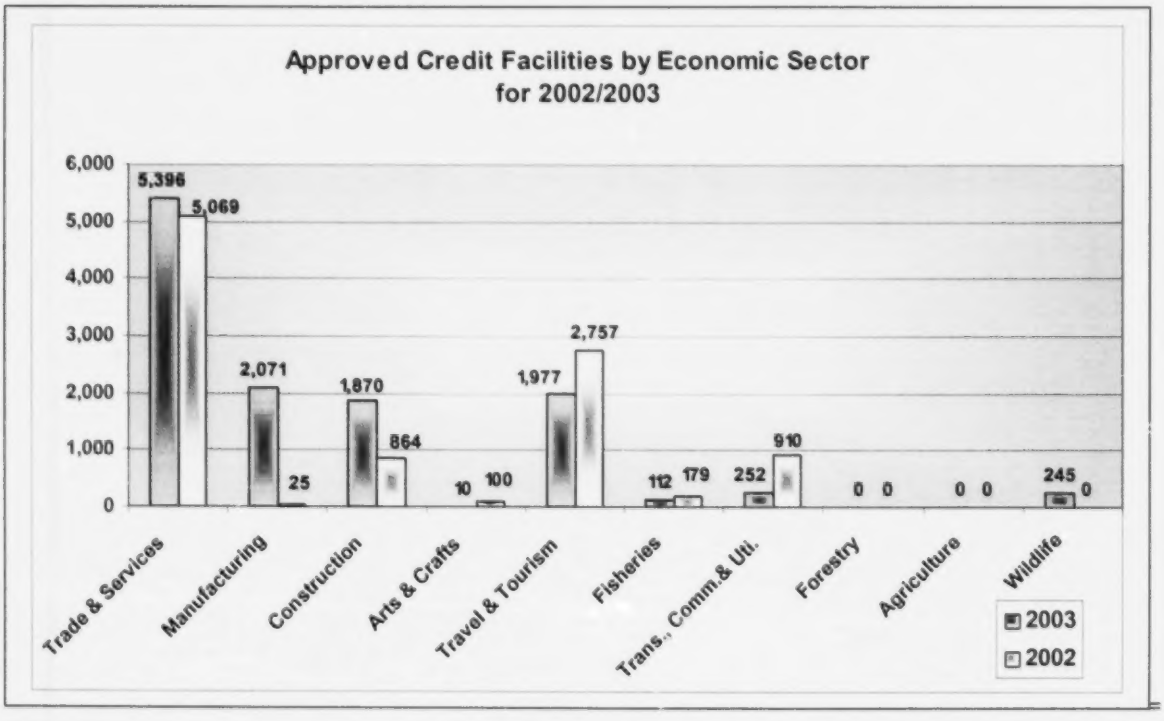


APPROVED CREDIT FACILITIES BY ECONOMIC SECTOR ($000)

Economic Sector	Totals 2003	Totals 2002
Trade & Services	5,396	5,069
Manufacturing	2,071	25
Construction	1,870	864
Arts & Crafts	10	100
Travel & Tourism	1,977	2,757
Fisheries	112	179
Transportation, Communication and Utilities	252	910
Forestry	0	0
Agriculture	0	0
Wildlife	245	0
Totals	**11,933**	**9,904**



LOAN ACCOUNTS FORGIVEN BY THE LEGISLATIVE ASSEMBLY

ACCOUNT	AMOUNT
3119378 Canada Inc. (South Nahanni Airways)	$ 205,438.33
923165 N.W.T. Ltd. (Salt River Concrete)	1,583.27
Westec Electric Ltd.	14,129.83
Yellowknife Metis Nation Local #77	20,046.09
Mr. William Der	22,284.26
Mr. Brian Kenny	13,740.28
Mr. Leo Leahy	22,552.90
Mr. Wade Thomas Sauder	26,064.64
Mr. Nicholas Stoodley	15,177.75
	$ 341,017.35

LOAN ACCOUNTS WRITTEN-OFF BY THE BOARD OF DIRECTORS

ACCOUNT	AMOUNT
Ms. Gwen Woodward	$ 14,125.83
Mr. Floyd Abel	5,439.85
Northern Enterprises (1990) Ltd.	3,408.16
John Moreau and William O'Rourke	2,705.11
Ms. Rita Cazon	352.96
Mr. Rick Dupont	691.69
Kenya Norweigan and Gabe Buggins	8,308.95
Edward Ten Brinke and Betty A. Moses	6,490.91
Mr. Kevin Mulligan	3,386.40
Mr. Ronald Antoine	10,331.77
Mr. Michael Modeste	1,069.13
	$ 56,310.76

FINANCIAL STATEMENTS

MARCH 31, 2003

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NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Northwest Territories Business Credit Corporation (the Corporation) were prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting policies exist, management has chosen those it deems most appropriate in the circumstances. Financial statements include amounts requiring estimates, which have been made based upon informed judgment as to the expected results of current transactions and events, such as the provision for losses on impaired loans and services provided by the Government of the Northwest Territories (the Government) without charge. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the financial statements.

The Corporation maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, and that assets are acquired prudently, used to further the Corporation's aims, and are protected from loss.

The Corporation is subject to the *Northwest Territories Business Credit Corporation Act* and the *Financial Administration Act*. It also receives ministerial directives establishing policy guidelines. Management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable legislation and for maintaining standards of conduct that are appropriate to a territorial Crown corporation.

The Board of Directors appoints certain of its members to serve on the Management Sub-Committee. This Sub-Committee oversees management's responsibility for financial reporting and reviews and recommends the financial statements to the Board for approval.

The Auditor General of Canada annually provides an independent audit for the purpose of expressing her opinion on the financial statements. She also considers whether the transactions that come to her notice in the course of this audit are, in all significant aspects, in accordance with the specified legislation.

Afzal Curimbhoy,
Chief Executive Officer

June 6, 2003

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of the
Northwest Territories Business Credit Corporation

I have audited the balance sheet of the Northwest Territories Business Credit Corporation as at March 31, 2003 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation and the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, the *Northwest Territories Business Credit Corporation Act* and regulations and the by-laws of the Corporation.

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
June 6, 2003

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

BALANCE SHEET
MARCH 31, 2003

	$ 000's	
ASSETS	**2003**	**2002**
Cash and Cash Equivalents (Note 3)	$ 43	$ 398
Loans Receivable (Note 4)	35,891	32,484
Accrued Interest Receivable (Note 4)	174	208
	36,065	32,692
Less: Allowance for Losses on Impaired Loans (Note 5)	7,370	6,811
	28,695	25,881
Capital Assets (net of accumulated amortization of $97 (2002: $77))	25	38
	$ 28,763	$ 26,317
LIABILITIES		
Deferred Capital Contribution	$ 25	$ 38
Advance from the Government (Note 6)	31,204	28,523
	31,229	28,561
DEFICIT		
Deficit	(2,466)	(2,244)
	$ 28,763	$ 26,317

CONTINGENT LIABILITIES (NOTE 7)

APPROVED:

Kimberly Staples

Chairperson of the Board of Directors

Chief Executive Officer

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF OPERATIONS AND DEFICIT
For the Year Ended March 31, 2003

	$ 000's	
LENDING ACTIVITIES	**2003**	**2002**
Interest Income on Loans Receivable	$ 1,853	$ 1,993
Interest Expense on Advance from the Government (Note 6)	1,119	1,187
Net Interest Income	734	806
Provision for Losses on Impaired Loans (Note 5)	956	1,592
Net Loss on Lending Activities	(222)	(786)
ADMINISTRATIVE EXPENSES		
Salaries and Benefits	624	596
Office	46	53
Amortization	29	23
Professional Fees	23	31
Board Meetings	22	35
Communications	10	12
Computer Services	2	9
	756	759
Net loss before contribution toward administrative expenses	(978)	(1,545)
Less: Administrative Contribution - the Government (Note 9)	756	759
NET LOSS FOR THE YEAR	(222)	(786)
DEFICIT AT THE BEGINNING OF THE YEAR	(2,244)	(1,458)
DEFICIT AT THE END OF THE YEAR	$ (2,466)	$ (2,244)

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2003

	$ 000's	
CASH FLOWS FROM OPERATING ACTIVITIES	**2003**	**2002**
Interest Income on Loans Receivable	$ 1,875	$ 1,973
Interest Repayment of Advance to the Government	(783)	(1,187)
Contribution Received Toward Administrative Expenses	722	729
Administrative Expenses Paid	(722)	(729)
Interest Received on Bank Account	12	20
	1,104	806
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans Receivable Repaid	6,298	5,666
Loans Receivable Disbursed	(10,102)	(7,192)
Purchase of Capital Assets	(15)	(20)
	(3,819)	(1,546)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from the Government	2,345	1,499
Principal Repayment of Advance to the Government	-	(526)
Contribution Received Toward Acquisition of Capital Assets	15	20
	2,360	993
NET (DECREASE) INCREASE IN CASH	$ (355)	$ 253
Cash and Cash Equivalents at Beginning of the Year	$ 398	$ 145
Cash and Cash Equivalents at End of the Year	$ 43	$ 398

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

1. AUTHORITY, OBJECTIVE AND OPERATION

The Corporation was established in 1991 pursuant to the *Northwest Territories Business Credit Corporation Act* (Act). It is subject to the *Financial Administration Act* and is a Crown Corporation of the Government and is exempt from income tax.

The Corporation's objective is to stimulate economic development and employment in the Northwest Territories to resident business enterprises, by providing loans, guaranteeing loans made by financial institutions, providing bonds and indemnifying bonding companies which have provided bonds. In addition, the Corporation is responsible for making business development loans to Northern businesses to create economic development opportunities in communities where conventional lending institutions are not prepared to participate. The Corporation's role is a blend of being a last resort lender and a developmental agency for higher risk entrepreneurial ventures.

Economic dependency

The Corporation is economically dependent upon the Government's continuing contributions for direct administrative expenses and advances.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies followed by the Corporation in the preparation of these financial statements are summarized below.

Loans

Loans are stated at the lower of principal amounts or estimated realizable amounts receivable. Accrued interest receivable and an allowance for losses on impaired loans are recorded separately.

Allowance for losses on impaired loans

The allowance for losses on impaired loans represents management's best estimate of probable losses on loans at the end of the fiscal year. The allowance has a specific and general component.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allowance for losses on impaired loans (cont'd)

a) Specific allowance: A loan is classified as impaired when one or more of the following conditions exist:

- in the opinion of management, there is reasonable doubt as to the ultimate collectability of principal or interest, or
- principal or interest is six months past due, unless the loan is well secured, or
- the loan has been previously restructured and principal or interest is three months past due, or
- principal or interest is twelve months past due regardless of whether or not the loan is well secured.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated realizable amount as determined based on management's estimates. This is the lower of the recorded amount of the loan or the net fair market value of the underlying security of the loan. The amount of initial impairment and any subsequent changes in the amount of impairment are recorded as a charge or credit to the specific allowance.

b) General allowance: In addition to the specific allowance, the Corporation maintains a general allowance, established at two percent (2%) of loans receivable, net of the specific provision, to reflect management's estimate for losses on those impaired loans which cannot yet be specifically identified. The general allowance is determined based on historical loss experience, aggregate exposure in particular industries or geographical regions, and prevailing economic conditions.

Revenue recognition

Interest revenue on loans receivable is normally recognized on an accrual basis. The Corporation ceases to accrue interest once a loan is classified as impaired. Payments received on impaired loans are credited to the loan balance and recognized as revenue only when either the loan balance has been repaid or the loan is no longer classified as impaired. Payments received on any previously written off loans are recognized as revenue.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital assets

Capital assets are recorded at cost. Amortization is calculated on a straight line basis over the estimated useful life of the assets as follows:

Computers	3 years
Furniture and Equipment	4 years

Employee future benefits

The Corporation and its employees who are deemed to be employees of the Government, make contributions to the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation.

Under the conditions of employment, employees earn non-pension employment benefits for annual leave, retirement and severance pay. The costs are accrued as the benefits are earned. Accrued termination benefits are paid upon resignation, retirement or death of employees by the Government.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Some of the more significant estimates made relate to loans and accrued interest receivable, allowance for losses on impaired loans and provision for losses on impaired loans.

3. CASH AND CASH EQUIVALENTS

The Corporation's cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. The cash can be withdrawn at any time, and is not restricted by maturity dates on investments made by the Government.

3. CASH AND CASH EQUIVALENTS (CONT'D)

The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments depending on the investment class, are rated R-1 Low or better from the Dominion Bond Rating Service Limited. The Corporation's average investment yield was 2.3% during the year (2002: 3.4%).

Net investment income of $12,000 (2002: $20,000) is included in Interest Income on Loans Receivable.

4. LOANS AND ACCRUED INTEREST RECEIVABLE

The Corporation provides loans with only fixed rates based on a term period not exceeding five years and an amortization period not exceeding twenty-five years as determined by the amount of the loan approved to, the types of security provided by and the repayment ability of the clients.

	Range of Annual Interest Rates		$ 000's	
Region	2003	2002	2003	2002
Loans Receivable				
Deh Cho	5.75 - 9.50%	5.75 - 9.50%	$ 3,151	$ 3,635
Inuvik	6.50 - 9.50%	6.75 - 9.50%	4,082	2,541
North Slave	3.50 - 9.75%	3.50 - 9.75%	12,993	11,590
Sahtu	6.75 - 9.50%	6.75 - 9.50%	2,769	3,112
South Slave	5.75 - 9.50%	6.75-10.25%	12,896	11,606
			35,891	32,484
Accrued Interest Receivable				
Current			140	123
Arrears			34	85
			174	208
			$ 36,065	$ 32,692

Loans receivable and accrued interest include $9,185,000 (2002: $9,904,000) that the Corporation has specifically classified as impaired. In 2003, interest not accrued on impaired loans totalled $800,000 (2002: $609,000).

4. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

The value of assets in which the Corporation has title to or foreclosed on totalled $770,000 in the loan balance (2002: $1,022,000). These loans have related allowances for losses totalling $625,000 (2002: $744,000).

As of March 31, 2003, loans receivable are expected to mature as follows:

Maturity Date	Range of Annual Interest Rates	$ 000's
Loans past due	6.50 – 9.50%	$ 9,625
2004	6.00 – 9.00%	4,576
2005	7.00 – 9.50%	3,033
2006	6.75 – 9.50%	3,533
2007	6.00 – 9.75%	3,861
2008 and beyond	3.50 – 9.50%	11,263
		$ 35,891

Write-offs

Under the provisions of the *Financial Administration Act*, a loan (outstanding principal and interest) can only be approved for write-off by either the Legislative Assembly (over $20,000) or the Board of Directors ($20,000 or less). A loan written off is still subject to collection action.

In 2003, no accounts were written off by the Legislative Assembly (2002: nil). Twelve accounts representing eleven borrowers totalling $56,010 were written off by the Board of Directors (2002: nil).

In 2003, recoveries on loans previously written off totalled $2,067 (2002: $900).

Forgiveness

Under the provisions of the *Financial Administration Act*, a loan can only be approved for forgiveness by either the Legislative Assembly (over $1,000) or the Financial Management Board ($1,000 or less). Once a loan has been forgiven, no further collection action is possible.

4. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

Forgiveness (cont'd)

In 2003, ten accounts representing nine borrowers totaling $341,176 were forgiven by the Legislative Assembly (2002: nil). No accounts were forgiven by the Financial Management Board (2002: nil).

Credit risk

The Corporation's credit risk exposure relating to loans receivable is directly impacted by the borrowers' ability to meet their obligations. This ability is impacted by the borrowers' exposure to fluctuations in the economy of the Northwest Territories.

The Corporation mitigates credit risk by holding no significant concentration with any individual borrower. It is prevented by the Act from lending to any one business enterprise or to a group of related enterprises an amount in excess of $2 million. Where appropriate, the Corporation takes securities for the loans.

Economic sector diversity

The Corporation diversifies its loan portfolio by providing loans to various economic sectors of the Northwest Territories.

	$ 000's	
	2003	2002
Trade and Services	$ 21,076	$ 19,123
Travel and Tourism	5,195	4,438
Construction	4,221	3,491
Manufacturing	2,103	2,000
Transportation, Communication and Utilities	2,079	2,272
Fisheries	589	505
Agriculture	224	224
Wildlife	198	213
Arts and Crafts	162	157
Forestry	44	61
	$ 35,891	$ 32,484

4. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

Fair Value

The carrying value, estimated to be the fair value of the loans, is stated at the lower of principal amounts or estimated realizable amount receivable. The Corporation bases its estimate of the fair value of the loans on analysis of the principal outstanding and the value of any underlying security. As with any estimate, uncertainly is inherent due to the unpredictability of future events. Estimates of fair values are based on market conditions at a certain point of time, and may not be reflective of the actual values that could be realized upon settlement.

5. ALLOWANCE FOR LOSSES ON IMPAIRED LOANS

	$ 000's	
	2003	2002
Specific Allowance for Losses on Impaired Loans:		
Balance at beginning of year	$ 6,286	$ 4,693
Provision for the year	899	1,593
	7,185	6,286
Less: write-offs	56	-
forgiveness	341	-
	397	-
Balance at end of year	6,788	6,286
General Allowance for Losses on Impaired Loans:		
Balance at beginning of year	525	526
Provision for the year	57	(1)
Balance at end of year	582	525
Allowance for Losses on Impaired Loans	$ 7,370	$ 6,811

6. ADVANCE FROM THE GOVERNMENT OF THE NORTHWEST TERRITORIES

The Act authorizes the Corporation to borrow for the purpose of lending, up to $50 million from the Government through an advance. Increases to the outstanding balance of the advance must be approved by the Financial Management Board based on the need of the Corporation. The balance was not to exceed $38 million as at March 31, 2003 (2002: $38 million).

Interest on the advance is based on the rate set at the last week of each month of the Government of Canada 3-year bonds, compounded annually. The rate varied from 3.5% to 4.3% during the year (2002: 3.4% to 5.4%).

There are no fixed repayment terms on the advance. Repayment on the advance is made whenever the Corporation has sufficient cash on hand not earmarked for lending purposes.

The carrying amount of the advance from the Government of the Northwest Territories of $31,204,000 (2002: $28,523,000) approximates fair value.

7. CONTINGENT LIABILITIES

The Corporation is named as defendant in one proceeding and as co-defendant in a second proceeding. Both proceedings are related to steps taken by the Corporation to call and enforce its rights involving the collateral security of loans. An estimate of the contingent loss arising from these actions, if any, cannot be reasonably determined at this time. Liability arising from these proceedings, if any, will be reflected as an expense when determined.

The Corporation approved an irrevocable standby letter of credit to a maximum of $193,000. On March 31, 2003, a total of $142,000 was provided.

8. PUBLIC SERVICE SUPERANNUATION PLAN

Under the Public Service Superannuation Plan, the expense for the Corporation's share of contribution totalled $59,000 (2002: $55,000) at a rate of 2.14 times the employee's contribution. The contributions from the Corporation and its employees represent the total pension obligation of the Corporation and are recognized in the accounts on a current basis.

9. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed, the Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

Administrative contribution

Under the terms of administrative agreements between the Corporation and the Government, direct administrative expenses of the Corporation are paid by the Government. Accrued expenses such as amortization and the annual leave are recorded as charges against the contribution in the year they are incurred.

Services provided without charge

The Corporation does not record the value of other capital assets or services provided by the Government without charge in these financial statements. Services provided by the Government include accounting support, regional and human resource services as well as office accommodation and some capital assets. The values of such services are estimated as follow:

	$ 000's	
	2003	2002
Staff support	$ 540	$ 168
Accommodation	48	48
Employee future long term benefits	7	10
	$ 595	$ 226

Cumulative employee future long term benefits accrued at March 31, 2003 is $92,000 (2002: $85,000).

Furthermore, the Corporation receives audit services without charge from the Office of the Auditor General of Canada.

10. SUBSEQUENT EVENT

The Minister responsible for the Corporation has drafted and plans to table a Bill to enact the *Northwest Territories Business Development and Investment Act*. If passed in the legislature, the Bill would create the Northwest Territories Business Development and Investment Corporation which then will assume the operations of the Corporation.